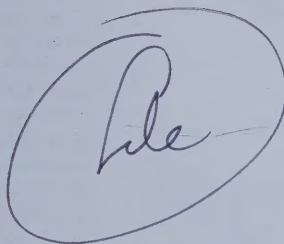


AR49



# **Scurry-Rainbow Oil Limited**

**Annual Report 1979**

# Scurry-Rainbow Oil Limited

Head Office: 2300 Home Oil Tower, 324 Eighth Avenue S.W., Calgary, Alberta T2P 2Z5

---

## Board of Directors

- + ROBERT G. BLACK, Q.C., *Calgary, Alberta*  
Partner in the law firm of Jones, Black & Company.  
Director: Calgary Power Ltd.
  
- \* JOHN P. CRONE, *Calgary, Alberta*  
Group Vice-President, Corporate, and Director of  
Home Oil Company Limited.  
Executive Vice-President of the Company.
  
- \* J. HOWARD GEDDES, *Calgary, Alberta*  
Group Vice-President, Operations, of  
Home Oil Company Limited.  
Executive Vice-President and General  
Manager of the Company.
  
- \* ANTHONY G. S. GRIFFIN, *Toronto, Ontario*  
Chairman of the Boards of The Commercial  
Life Assurance Company of Canada and The  
Halifax Insurance Company.  
Director: Canadian Corporate Management Co. Ltd.,  
Canadian Industries Limited, Hiram Walker-Consumers  
Home Ltd., ICI Americas Inc., Raymond International  
Inc., United Dominions Corporation (Canada) Limited,  
Victoria & Grey Trust Company.
  
- \* + J. GORDON HUTCHISON, F.C.A., *Calgary, Alberta*  
Financial Consultant.  
Director: Cavalier Energy Inc.
  
- + JOHN F. LANGSTON, *Calgary, Alberta*  
Petroleum Engineer.
  
- \* A. M. McINTOSH, *Calgary, Alberta*  
Executive Vice-President of Hiram Walker-Consumers  
Home Ltd.  
President and Chief Executive Officer and  
Director of Home Oil Company Limited.  
President of the Company
  
- WILLIAM P. WILDER, *Toronto, Ontario*  
President and Chief Executive Officer and  
Director of Hiram Walker-Consumers Home Ltd.  
Director: Allstate Insurance Company of Canada,  
Home Oil Company Limited,  
John Labatt Limited,  
Lever Brothers Limited,  
Maclean-Hunter Limited,  
Noranda Mines Limited,  
Simpsons-Sears Limited.
  
- + Member of Audit Committee
  
- \* Member of Executive Committee

## Executive Officers

A. M. McINTOSH  
President

J. H. Geddes  
Executive Vice-President  
and General Manager

J. P. CRONE  
Executive Vice-President

B. F. MacNEILL  
Vice-President, Finance

R. G. WATKINS  
Vice-President, Mining

D. E. DEAKIN  
Treasurer

T. S. HOAR  
Secretary

E. JORGENSEN  
Comptroller

## Registrar and Transfer Agents

Guaranty Trust Company of Canada  
Calgary, Alberta; Toronto, Ontario;  
Montreal, P.Q.; Vancouver, B.C.  
The Canadian Bank of Commerce Trust  
Company, New York, N.Y.

## Stock Listings

Toronto Stock Exchange  
Vancouver Stock Exchange  
American Stock Exchange

## Annual Meeting

The Annual Meeting of Shareholders will be held on Tuesday, June 3, 1980 at 1:30 p.m. at the head office of the Company in Calgary, Alberta. Formal notice of this meeting and proxy material has been mailed to all registered shareholders with this report.

The Company files annually with the United States Securities and Exchange Commission, a report on its operations known as the Annual Report on Form 10-K. Copies of the SEC Form 10-K are available free of charge upon written request to E. Jorgensen, Comptroller, Scurry-Rainbow Oil Limited, 2300 Home Oil Tower, 324 Eighth Avenue S.W., Calgary, Alberta, T2P 2Z5.

## CONTENTS

President's Message .....	1
Oil and Gas Acreage .....	2
Oil and Gas Operations .....	3
Production .....	4
Reserves .....	5
Mining Operations .....	5
Financial Review .....	6
Corporate Profile .....	7
Two Year Price Range of Shares .....	7
Auditors' Report .....	7
Financial Statements .....	8
Five Year Review .....	16



# PRESIDENT'S MESSAGE

## TO THE SHAREHOLDERS

AR49

### TO THE SHAREHOLDERS:

#### FINANCIAL

As shown in the accompanying tables, net earnings of Scurry-Rainbow Oil Limited for the first six months of 1979, before a gain on the sale of its United Kingdom interests and an extraordinary item, were \$3,969,000, or \$1.48 per share, compared with restated earnings of \$1,507,000, or 57 cents per share, a year earlier.

#### PRODUCTION

Production of crude oil and natural gas liquids amounted to 1 177 cubic metres (7,403 barrels) per day, compared with 987 cubic metres (6,210 barrels) per day in 1978. Natural gas sales amounted to 471 thousand cubic metres (16,718 Mcf) per day, compared with 433 thousand cubic metres (15,410 Mcf) per day in 1978. The increases were due largely to new production in the Fort St. John area, where oil production for the month of June reached 341 cubic metres (2,150 barrels) per day.

#### EXPLORATION AND DEVELOPMENT

During the first six months, the Company participated in 84 exploratory and development wells, mostly in Alberta and British Columbia. The drilling resulted in 10 oil and 21 natural gas wells. Fifteen wells were still drilling and 32 were awaiting completion or being tested.

Drilling in Alberta continued to be concentrated in the Gold Creek area where the Company participated in 35 wells. Twenty-nine are potential gas wells and one a potential oil well. Four were still drilling.

An active program continued in the Fort St. John area of British Columbia. The Company participated in seven oil wells in the West Stoddart-West Eagle and Eagle fields as part of a planned 22-well development program being undertaken during 1979.

#### DIRECTORS AND MANAGEMENT

R.F. Phillips, formerly President, was appointed Chairman of the Board of Directors of the Company. A.G.S. Griffin, formerly Chairman of the Board, was appointed Deputy Chairman. A.M. McIntosh was appointed President and a Director. T.S. Hoar was appointed Secretary.

*R.F. Phillips* *A.M. McIntosh*

R.F. Phillips  
Chairman of the Board

A.M. McIntosh  
President

Calgary, Alberta  
August 15, 1979

## Scurry-Rainbow Oil Limited

### INTERIM REPORT TO SHAREHOLDERS

### FOR THE FIRST HALF

OF 1979

2300 HOME OIL TOWER  
324 EIGHTH AVENUE S.W.  
CALGARY, ALBERTA  
T2P 2Z5

AUGUST 15, 1979

# Scurry-Rainbow Oil Limited

Heac

## Scurry-Rainbow Oil Limited

Boar

### CONSOLIDATED STATEMENT OF EARNINGS

For The Six Months Ended  
June 30, 1979  
(\$000's omitted)

	1979	1978 (note)
<b>REVENUE</b>		
Operating	\$18,381	\$12,737
Equity income	24	45
Investment income	63	274
	<u>18,468</u>	<u>13,056</u>
<b>EXPENSE</b>		
Operating	5,702	4,518
General and administrative	1,302	998
Depletion	2,762	2,444
Depreciation	520	478
Mining exploration	694	235
Interest on long term debt	721	707
Other interest	368	303
Minority interest	50	29
	<u>12,119</u>	<u>9,712</u>
	<u>6,349</u>	<u>3,344</u>
<b>PROVISION FOR INCOME TAXES</b>		
Current	22	696
Deferred	2,358	1,141
	<u>2,380</u>	<u>1,837</u>
Earnings before undemoted items	3,969	1,507
Gain on sale of U.K. properties (net of income taxes)	5,193	—
<b>NET EARNINGS BEFORE EXTRAORDINARY ITEM</b>	9,162	1,507
<b>EXTRAORDINARY ITEMS</b>		
Income tax reduction realized on application of prior years' losses	1,333	—
Recovery of investment in Minerals Santa Rita S.A. de C.V.	—	379
<b>NET EARNINGS</b>	<u>\$10,495</u>	<u>\$ 1,886</u>
<b>EARNINGS PER SHARE</b>		
Earnings before undemoted items	\$ 1.48	\$ 0.57
Gain on sale of U.K. properties (net)	1.94	—
Net earnings before extraordinary item	3.42	0.57
Extraordinary item	0.50	0.14
<b>Net earnings</b>	<u>\$ 3.92</u>	<u>\$ 0.71</u>

Note: Effective January 1, 1979, the Company retroactively changed its accounting policy in respect of mining properties whereby mining costs are charged to earnings in the year of expenditure until such time as the presence of economically recoverable reserves is established. This reduced net earnings for the first half of 1979 by \$438,000, or 16 cents per share, compared with \$116,000, or four cents per share, for the same period in 1978. Comparative figures have been restated accordingly.

### CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Six Months Ended  
June 30, 1979  
(\$000's omitted)

	1979	1978
<b>FUNDS WERE OBTAINED FROM</b>		
Operations	\$10,515	\$ 5,768
Sale of assets	11,191	640
Dividends	100	100
	<u>21,806</u>	<u>6,508</u>
<b>FUNDS WERE USED FOR</b>		
Property, plant and equipment	16,703	8,813
Reduction in long term debt	3,369	51
Dividends paid on liquidation of subsidiary	392	—
Other	65	121
	<u>20,529</u>	<u>8,985</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF PERIOD</b>	1,277 (9,934)	(2,477) (4,712)
<b>WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD</b>	<u>\$ (8,657)</u>	<u>\$ (7,189)</u>

### MAJOR BALANCE SHEET ITEMS (\$000's omitted)

	1979	1978 (as restated)
Working capital (deficiency)	\$ (8,657)	\$ (7,189)
Investments and advances	1,000	1,051
Property, plant and equipment — net	92,748	76,515
Other assets	774	1,031
Deferred production revenue	413	—
Long term debt (less current maturities)	12,585	17,435
Deferred income taxes	19,739	14,925
Minority interest	1,825	1,850
Shareholders' equity	51,303	37,198

+

\* Member of Executive Committee

Five Year Review . . . . . 16



# PRESIDENT'S MESSAGE

## TO THE SHAREHOLDERS

The year 1979 was highlighted by continued improvement in financial and operating performance.

Net earnings from operations for 1979 totalled \$13,258,000 or \$4.95 per share compared with restated earnings of \$4,749,000 or \$1.78 per share for 1978.

Net earnings after two non-recurring items amounted to \$20,877,000 or \$7.80 per share compared with restated earnings of \$5,496,000 or \$2.06 per share in 1978. The first non-recurring item represents a gain of \$5,157,000 from the sale of the Company's interest in the North Sea. The second item represents an extraordinary gain of \$2,462,000 as a result of income tax benefits realized on application of prior years' losses.

Net flow of funds from operations totalled \$27,286,000 or \$10.19 per share compared with \$15,579,000 or \$5.84 per share for 1978. Gross revenues increased to \$44,301,000 from \$29,564,000 in 1978 due to higher prices and the increased production of crude oil, natural gas, gold and silver.

Capital expenditures also rose substantially in 1979, to \$38,051,000, from \$20,898,000, reflecting an active exploration and development program.

## Exploration and Production

During the year, the Company participated in the drilling of 176 exploratory and development wells, mostly in Alberta and British Columbia. The drilling resulted in 61 oil and 85 gas wells. Fourteen wells were still drilling at year end.

The main region of exploratory interest continued to be the Gold Creek and Lator-Nell area of northwestern Alberta which accounted for approximately three-quarters of exploratory drilling expenditures. Acreage holdings in that area increased in 1979 to 174,695 gross hectares (431,680 acres) through participation in land sales. Drilling successes in this area are expected to add substantially to the Company's reserves of natural gas.

During 1979, average daily production of crude oil and liquids, before the deduction of royalties, amounted to 1 238 cubic metres (7,780 barrels) compared with 1 055 cubic metres (6,636 barrels) in 1978. Average daily sales of natural gas increased to 530 thousand cubic metres (18.8 MMcf) from 433 thousand cubic metres (15.4 MMcf). The increases were due largely to new production in the Fort St. John area of British Columbia. The bulk of the Company's development expenditures in 1979 was directed to this area.

## Mining

Although ore mined in 1979 at the Company's Gooseberry silver/gold mine near Reno, Nevada, declined by nine per cent to 65,227 tons, the production of gold and silver increased by eight per cent and 23 per cent to 10,048 ounces and 413,820 ounces, respectively, reflecting higher recovery factors. Work continued on an underground development program to increase the amount of ore mined.

Engineering studies continued on the feasibility of development of the Company's substantial metallurgical coal reserves at Elk River in southeastern British Columbia. A decision to proceed with a mine is dependent upon an improvement in the demand on world markets for metallurgical coal.

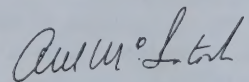
## Corporate

The Board of Directors continues to maintain the policy of re-investing all available cash flow and to forego the payment of dividends.

Since the last report to shareholders, R. F. Phillips, J. D. Gibson and R. B. Coleman resigned as directors of the Company. On June 19, 1979, A. M. McIntosh was appointed a Director and elected President.

Submitted on behalf of the Board of Directors.

Calgary, Canada  
April 18, 1980

  
A. M. McIntosh  
President

# OIL AND GAS ACREAGE

December 31, 1979

	Petroleum and Natural Gas Leases		Reservations, Licences and Permits		Total	
	Gross	Net	Gross	Net	Gross	Net
<b>CANADA</b>						
Alberta . . . . .	1,307,159	330,561	188,296	24,919	1,495,455	355,480
Arctic Islands . . . . .	—	—	912,286	100,432	912,286	100,432
British Columbia . . . . .	447,768	80,945	475,106	59,833	922,874	140,778
Manitoba . . . . .	32,922	27,930	—	—	32,922	27,930
Northwest Territories . . . . .	67,676	14,602	691,474	138,474	759,150	153,076
Ontario . . . . .	479	287	—	—	479	287
Saskatchewan . . . . .	1,019,504	805,410	—	—	1,019,504	805,410
	<u>2,875,508</u>	<u>1,259,735</u>	<u>2,267,162</u>	<u>323,658</u>	<u>5,142,670</u>	<u>1,583,393</u>
<b>EUROPE</b>						
Netherlands — Offshore . . . . .	—	—	151,327	4,346	151,327	4,346
	<u>—</u>	<u>—</u>	<u>151,327</u>	<u>4,346</u>	<u>151,327</u>	<u>4,346</u>
<b>UNITED STATES</b>						
Alaska . . . . .	21,090	15,788	—	—	21,090	15,788
Michigan . . . . .	29,676	7,675	—	—	29,676	7,675
Montana . . . . .	2,744	1,950	—	—	2,744	1,950
North Dakota . . . . .	91,486	9,265	—	—	91,486	9,265
Utah . . . . .	38,568	4,342	—	—	38,568	4,342
Wyoming . . . . .	100,727	18,234	—	—	100,727	18,234
	<u>284,291</u>	<u>57,254</u>	<u>—</u>	<u>—</u>	<u>284,291</u>	<u>57,254</u>
Total Acreage at December 31, 1979 . . . . .	<u>3,159,799</u>	<u>1,316,989</u>	<u>2,418,489</u>	<u>328,004</u>	<u>5,578,288</u>	<u>1,644,993</u>
Total Acreage at December 31, 1978 . . . . .	<u>3,463,815</u>	<u>1,451,146</u>	<u>3,389,418</u>	<u>549,253</u>	<u>6,853,233</u>	<u>2,000,399</u>

**Table of basic metric conversion factors\***

Measurement	Traditional to Metric	Metric to Traditional
Length	1 mile = 1.609 34 kilometres (km)	1 km = 0.62137 mile
	1 foot = 0.304 80 metre (m)	1 m = 3.28084 feet
Area	1 acre = 0.404 69 hectare (ha)	1 ha = 2.47103 acres
Volume	1 gallon (Can.) = 4.546 09 litres (L)	1 L = 0.21997 gallon (Can.)
	1 barrel = 0.158 99 cubic metre (m³)	1 m³ = 6.28970 barrels
	1 MCF = 28.173 99 cubic metres (m³) (natural gas)	1 m³ = 0.035494 MCF
Mass	1 pound = 0.453 59 kilogram (kg)	1 kg = 2.20463 pounds
	1 long ton = 1.016 05 tonnes (t) (2,240 pounds)	1 t = 0.98420 long ton
	1 short ton = 0.907 19 tonne (t) (2,000 pounds)	1 t = 1.10232 short tons

\* International System of Units (SI) conversion factors used by Canadian Petroleum Association in their statistical handbook effective January 1, 1979.

## Conversion to Metric

During 1979 the Canadian petroleum industry commenced using the International System of Units, commonly called the metric system, to report figures related to length, area, volume and mass.

For the convenience of shareholders, a conversion table is provided at right.



## OIL AND GAS OPERATIONS

During 1979, Scurry-Rainbow maintained an active exploration program within the Gold Creek and Lator areas of Alberta and, to a lesser degree, in British Columbia, Saskatchewan, North Dakota, Utah, Montana and Michigan. Significant development drilling was undertaken within the Eagle and Stoddart areas of British Columbia, with some development drilling in Alberta and Saskatchewan. During the year, the Company was involved in 86 exploratory wells and 90 development wells. Of these wells, 31 were Company operated and the remainder were partner operated or drilled under farmout agreements. The exploratory drilling resulted in 10 oil wells, 49 gas wells, 14 dry holes, and 13 were still drilling or being evaluated at the end of the year. Development drilling resulted in 51 oil wells, 36 gas wells and two dry holes. One well was still drilling at year end.

### CANADA

#### Alberta

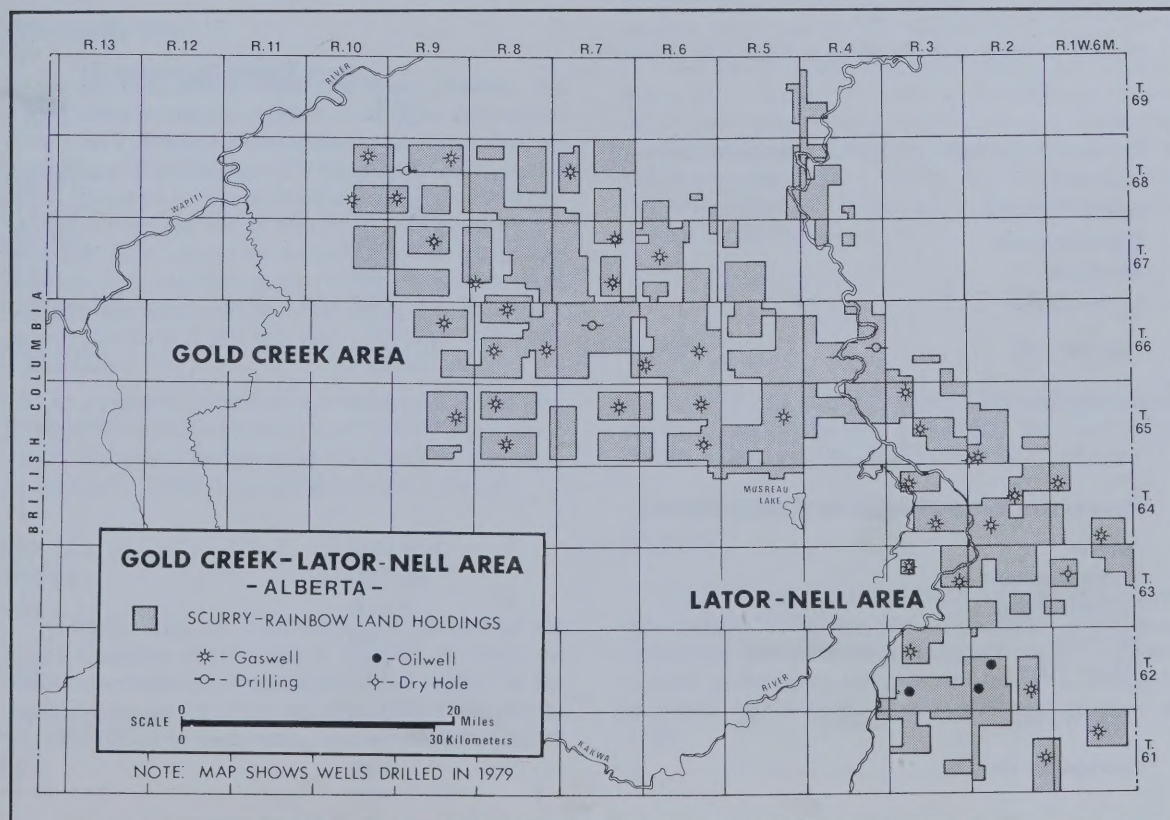
The accelerated exploration pace established in 1978 in the Gold Creek area was maintained through

1979. Twenty-seven exploratory wells were drilled on Company lands in this area during the year. The exploratory drilling program resulted in 24 gas wells and, at year end, three wells were still drilling. Four development gas wells were also drilled. Significant gas reserves were established within sandstones of the Upper and Lower Cretaceous section. Oil was encountered in sandstones of the Upper Cretaceous and within the Triassic. The full significance of the oil potential of these reservoirs cannot be assessed until further evaluation has been undertaken.

Twenty exploratory wells were drilled in the Lator-Nell area 25 miles southeast of Gold Creek. This drilling resulted in 15 gas wells, three oil wells and two dry holes. Four development oil wells were also drilled in 1979. The Upper Cretaceous Dunvegan sandstone is the principal producing zone in this area.

Plains Petroleum, 72 per cent owned by the Company, was also active in the Gold Creek and Lator areas where it had interests ranging from 1.66 per cent to 4.66 per cent in 41 exploratory wells. Of these wells, 37 were gas, one was a dry hole and three were drilling at the end of 1979.

Plains also has a 5.6% interest in the Shell et al Waterton 7-20 well which was drilled to a total depth of 5 080 metres and completed as a Devonian Wabamun gas well.



## British Columbia

The Company participated directly in nine exploratory wells of which eight were non-operated. This drilling resulted in four gas wells and five dry holes. Successful gas wells were completed in Lower Cretaceous, Bluesky and Lower Gething sandstones, the Triassic LaGlacé formation and the Mississippian Debolt.

A further two wells were drilled under farmouts to other operators. One of these wells was under tight hole status at year end, and the other was still drilling.

## Saskatchewan

The Company participated in one unsuccessful Mississippian test within the Steelman area during the year. One other well, also in the Steelman area, was drilled under farmout to another operator and this was completed as a Midale oil well.

## UNITED STATES

The Company participated in four exploratory wells in the U.S. during 1979. Dry holes were drilled in Utah, Montana and Michigan, and a well being drilled in North Dakota was still drilling at year end.

## SOURCE OF PRODUCTION

(Before Deduction of Royalties and Minority Interests)

### Crude Oil and Natural Gas Liquids (cubic metres)

	Years Ended December 31	
	1979	1978
Alberta . . . . .	131 620	118 591
British Columbia . . . . .	186 260	125 318
Saskatchewan . . . . .	124 450	133 135
Manitoba . . . . .	8 860	7 527
United States . . . . .	690	324
Total for year . . . . .	<u>451 880</u>	<u>384 895</u>
Average per day . . . . .	<u>1 238</u>	<u>1 055</u>

### Natural Gas Sales (thousands of cubic metres)

	1979	1978
Alberta . . . . .	134 090	127 404
British Columbia . . . . .	56 750	26 361
Saskatchewan . . . . .	2 440	3 951
Manitoba . . . . .	50	—
United States . . . . .	120	241
Total for year . . . . .	<u>193 450</u>	<u>157 957</u>
Average per day . . . . .	<u>530</u>	<u>433</u>

A further three exploratory wells were drilled under farmouts to other operators in Wyoming and North Dakota. This activity resulted in one Cretaceous gas well in Wyoming, a dry hole in North Dakota, and the third well, in Wyoming, was still drilling at year end.

## PRODUCTION

Production of crude oil and natural gas liquids during 1979 amounted to 1 238 cubic metres per day, or 7,780 barrels per day, compared with 1 055 cubic metres per day, or 6,636 barrels per day for the previous year. Natural gas production was up from 433 cubic metres per day, or 15.4 MMcf per day, in 1978 to 530 cubic metres per day, or 18.8 MMcf per day in 1979.

The increase in crude oil production is largely from the Fort St. John area of British Columbia, together with the lifting of allowable restrictions in the Redwater field of Alberta to permit higher production rates. Oil production from the West Eagle field north of Fort St. John is expected to increase substantially with the completion of waterflood facilities in the second half of 1980. In the case of natural gas production, rates are higher from the collection of associated gas in the Fort St. John area, together with better performance from the Coleman field.



## RESERVES

The Company's gross proven crude oil, natural gas liquids, natural gas and sulphur reserves as of January 1, 1980 and 1979 are summarized in the table below. The Company's gross reserves are defined as the Company's share of reserves from working interests and overriding royalties, but before the deduction of any royalty interest owned by others and minority interests.

Further development in the Fort St. John area and exploratory work in the Gold Creek area were the main contributing factors for the increase in both oil and gas reserves.

### GROSS PROVEN RESERVES (Before Deduction of Royalties and Minority Interests) At January 1, 1980 and 1979

	1980		1979	
	<u>Working Interest</u>	<u>Royalty Interest</u>	<u>Working Interest</u>	<u>Royalty Interest</u>
Crude Oil – M <sup>3</sup> . . . . .	3 059 628	241 083	2 957 386	236 080
Natural Gas Liquids – M <sup>3</sup> . . . . .	238 248	47 648	231 056	56 297
Natural Gas – 10 <sup>3</sup> M <sup>3</sup> . . . . .	4 518 670	551 470	3 701 583	579 483
Sulphur – Tonnes . . . . .	425 939	11 705	533 323	12 497

## MINING OPERATIONS

### Gooseberry Mine

At the Gooseberry mine near Reno, Nevada, mill throughputs averaged 5,480 short tons per month during 1979. Production continued to be constrained by a shortage of underground mining areas. Underground development work was accelerated during the latter half of 1979 with the result that new mining areas are expected to be placed on production at the 1,000-foot level during the second quarter of 1980. The main shaft will also be deepened in 1980 to develop two new working levels at 1,150 feet and 1,300 feet below the surface.

As a result of increased silver and gold prices, the mine generated sizeable cash flows and earnings during 1979. The mine's performance is expected to continue to improve in 1980 as production levels increase.

### Coal

In 1979, approval in principle was granted by the British Columbia government to develop the large reserves of metallurgical coal located at Elk River in the southeastern portion of the province. With this approval, work continued on engineering studies that are required

for specific permits to develop the mine. A decision to proceed with the mine is dependent upon an improvement in world markets for metallurgical coal.

The extensive coal leases held jointly with Consolidation Coal Company of Canada in the Blairmore area of Alberta are being re-assessed for potential thermal coal production. Exploratory drilling was undertaken on five Plains coal properties in Alberta. Active participation in the Ardley Coal Rights offered by the Alberta government was continued.

### Potash

In 1979, the Potash Corporation of Saskatchewan exercised its option and purchased the Company's potash holdings in Saskatchewan for \$2,275,000.

### Uranium

Scurry-Rainbow participated in 10 uranium exploration projects during the year. Exploratory drilling was undertaken on four of the projects with negative results. Ground assessment surveys with follow-up drilling is proposed for several ongoing and new projects in 1980.



## MINING ACREAGE

	Gross	Net
Coal Mining Properties . . . . .	117,122	51,555
Coal Lease Applications . . . . .	58,627	45,287
Mining Claims . . . . .	421,355	162,083
Total . . . . .	<u>597,104</u>	<u>258,925</u>
<b>Canada</b>		
Alberta . . . . .	155,589	94,087
British Columbia . . . . .	74,716	19,435
Saskatchewan . . . . .	307,640	110,435
Ontario . . . . .	5,719	5,719
Northwest Territories . . . . .	52,160	27,969
<b>Foreign</b>		
U.S. — Nevada . . . . .	1,280	1,280
Total Acreage at December 31, 1979 . . . . .	<u>597,104</u>	<u>258,925</u>
Total Acreage at December 31, 1978 . . . . .	<u>766,743</u>	<u>417,508</u>

## FINANCIAL REVIEW

Net earnings, before a gain on the sale of the North Sea properties and before an extraordinary item for 1979, amounted to \$13,258,000 (\$4.95 per share) compared with restated net earnings, before an extraordinary item, of \$4,749,000 (\$1.78 per share) for 1978. During 1979, the Company disposed of its entire interest in Block 3/7 in the North Sea, resulting in a gain of \$5,157,000 (\$1.93 per share), net of applicable income taxes of \$803,000. In addition, the Company recorded an extraordinary gain of \$2,462,000 (\$0.92 per share) representing income tax benefits realized on application of prior years' losses. With the gain on the sale of North Sea properties and the extraordinary item, net earnings for 1979 amounted to \$20,877,000 (\$7.80 per share) compared with restated earnings of \$5,496,000 (\$2.06 per share).

Operating revenues after royalties from oil and gas operations increased from \$25,008,000 to \$33,156,000, an increase of 33 per cent. Volume increases of 18 per cent and 22 per cent for oil and gas respectively, coupled with price increases, accounted for the rise in revenue. The increase in oil volumes mainly arose in the Eagle and Stoddart fields in British Columbia and the Redwater field in Alberta. The increase in gas volumes was primarily attributable to new wells coming on stream in the Cecil area of British Columbia coupled with increased production from the Coleman field.

Gross revenues contributed by the mining operations amounted to \$10,866,000 in 1979 compared to \$4,128,000 a year earlier. Although ore mined in 1979 declined by 9 per cent to 59,173 tonnes, the production of gold and silver increased by 8 per cent and 23 per cent to 10,048 ounces and 413,820 ounces respectively, reflecting higher recovery factors. The balance of the increase in revenues was attributable to substantial price increases of gold and silver, particularly in the last quarter of 1979.

Operating and general expenses from oil and gas operations increased 18 per cent from \$6,474,000 to \$7,630,000 in 1979. The increase was associated with higher production from the Fort St. John area in British Columbia coupled with general increases in other fields.

Operating and general expenses from mining operations amounted to \$7,324,000 compared with \$5,440,000. All of the increase was due to production from the Gooseberry mine and increased royalties paid on higher revenues.

Depletion and depreciation expense increased 13 per cent to \$7,350,000 compared with \$6,516,000 for 1978. The increase was mainly the result of higher oil and gas production volumes together with a higher depletion factor.

Interest and expense on long term debt amounted to \$1,470,000 compared with \$1,619,000 for 1978. During early 1979, a U.S. bank production loan was repaid from proceeds on sale of the North Sea properties. During the last half of 1979, bank production loans totalling \$10,000,000 were drawn to finance part of the 1979 capital expenditure program. Other interest increased to \$777,000 representing higher charges as a result of using bank operating loans which at December 31, 1979 amounted to \$3,445,000.

Income tax expense increased from \$3,999,000 in 1978 to \$6,365,000 in 1979, reflecting a substantial increase in pretax income. The percentage of income tax expense to pretax earnings before the gain on the sale of the North Sea properties, however, declined from 45.7 per cent to 32.4 per cent in 1979. This was attributable to the absence of mining losses suffered in 1978 coupled with the Company's substantial 1979 capital program.

Net flow of funds from operations amounted to \$27,286,000 (\$10.19 per share) in 1979, compared with \$15,579,000 (\$5.84 per share) for 1978. The increase resulted from higher production and increased prices from both oil and gas and mining activities. Sale of the North Sea assets and the Saskatchewan potash properties generated \$13,493,000. In addition, the Company obtained \$10,000,000 in long term bank production loans to finance partially the Company's 1979 capital program.

During 1979, the Company expended \$38,051,000 on its capital program compared with \$20,898,000 in 1978, an increase of 82 per cent. Of this amount, \$20,943,000 was spent on the Company's oil and gas exploration program, including land and lease acquisitions, with the majority of funds being spent in the Gold Creek and Lator-Nell areas of Alberta. Oil and gas development expenditures increased from \$9,287,000 in 1978 to \$14,449,000 in 1979. The Company continued to concentrate its efforts in the development of its acreage in the Fort St. John area of British Columbia.

Mining development expenditures totalled \$1,487,000 which included the acquisition of a 35 per cent net profits interest in the Gooseberry mine, continued development of the mine and Elk River feasibility studies. The Company continued its on-going program of mineral exploration, principally for coal and uranium and spent \$1,041,000 in 1979 compared to \$715,000 in 1978.

Additional general information is summarized in the five years' review of operations.



## CORPORATE PROFILE

Scurry-Rainbow Oil Limited, incorporated in Alberta in 1954, is engaged in the exploration, development and production of petroleum and natural gas, and in the exploration for various minerals. The Company is approximately 88.5 per cent owned by Home Oil Company Limited, a wholly-owned subsidiary of Hiram Walker - Consumers Home Ltd. Its headquarters are in Calgary, Alberta. Exploration activities are conducted in Canada and the United States. Production of petroleum and natural gas is primarily located in the four western provinces in Canada, with limited production in the United States. The Company does not engage in refining or retail marketing. The Company has substantial undeveloped coal reserves in southwestern Alberta and southeastern British Columbia, and a silver-gold mine in Nevada.

## TWO YEAR PRICE RANGE OF SHARES

Years Ended December 31

	Toronto Stock Exchange Cdn. Funds				American Stock Exchange U.S. Funds			
	1979		1978		1979		1978	
	High	Low	High	Low	High	Low	High	Low
First Quarter	28 <sup>1</sup> / <sub>2</sub>	25 <sup>3</sup> / <sub>8</sub>	20 <sup>1</sup> / <sub>4</sub>	18 <sup>1</sup> / <sub>2</sub>	24	21 <sup>1</sup> / <sub>8</sub>	18 <sup>1</sup> / <sub>4</sub>	16
Second Quarter	40	29	23 <sup>1</sup> / <sub>2</sub>	21	36	24 <sup>1</sup> / <sub>2</sub>	20 <sup>3</sup> / <sub>4</sub>	18
Third Quarter	58	40	25 <sup>1</sup> / <sub>2</sub>	22 <sup>1</sup> / <sub>2</sub>	52	33	22 <sup>5</sup> / <sub>8</sub>	20
Fourth Quarter	75	50	27	25 <sup>1</sup> / <sub>2</sub>	69 <sup>1</sup> / <sub>2</sub>	42	23	20 <sup>1</sup> / <sub>8</sub>

The Company has not declared or paid any dividends on its outstanding shares.

## AUDITORS' REPORT

To the Shareholders of  
Scurry-Rainbow Oil Limited

We have examined the consolidated balance sheet of Scurry-Rainbow Oil Limited as at December 31, 1979 and 1978 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and 1978 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting policy for mining operations described in Note 1, on a consistent basis.

Calgary, Canada  
February 22, 1980

THORNE RIDDELL  
Chartered Accountants

**CONSOLIDATED STATEMENT OF EARNINGS**

(Thousands of Canadian Dollars)

	<b>For the years ended December 31</b>	
	<b>1979</b>	<b>1978</b>
	(Note 1)	
<b>REVENUE</b>		
Operating . . . . .	\$44,022	\$29,136
Equity income . . . . .	35	71
Other income . . . . .	244	357
	<u>44,301</u>	<u>29,564</u>
<b>EXPENSE</b>		
Operating and general . . . . .	14,954	11,914
Depletion and depreciation . . . . .	7,350	6,516
Interest and expense on long term debt . . . . .	1,470	1,619
Other interest . . . . .	777	698
Minority interest . . . . .	127	69
	<u>24,678</u>	<u>20,816</u>
	<u>19,623</u>	<u>8,748</u>
<b>INCOME TAXES (Note 5)</b>		
Current . . . . .	(72)	(153)
Deferred . . . . .	6,437	4,152
	<u>6,365</u>	<u>3,999</u>
<b>EARNINGS BEFORE GAIN ON SALE OF NORTH SEA PROPERTIES</b> . . . . .	13,258	4,749
<b>GAIN ON SALE OF NORTH SEA PROPERTIES (net of applicable income taxes of \$803,000)</b> . . . . .	<u>5,157</u>	<u>—</u>
<b>NET EARNINGS BEFORE EXTRAORDINARY ITEMS</b> . . . . .	18,415	4,749
<b>EXTRAORDINARY ITEMS</b>		
Income tax benefits realized on application of prior years' losses . . . . .	2,462	—
Recovery of investment in Minerales Santa Rita S.A. de C.V. . . . .	<u>—</u>	<u>747</u>
<b>NET EARNINGS</b> . . . . .	<u>\$20,877</u>	<u>\$ 5,496</u>
<b>EARNINGS PER SHARE</b>		
Earnings before gain on sale of North Sea properties . . . . .	\$4.95	\$1.78
Gain on sale of North Sea properties . . . . .	<u>1.93</u>	<u>—</u>
Net earnings before extraordinary items . . . . .	6.88	1.78
Extraordinary items . . . . .	<u>0.92</u>	<u>.28</u>
Net earnings . . . . .	<u>\$7.80</u>	<u>\$2.06</u>

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

(Thousands of Canadian Dollars)

	<b>For the years ended December 31</b>	
	<b>1979</b>	<b>1978</b>
<b>BALANCE, AT BEGINNING OF YEAR</b>		
As previously reported . . . . .	\$10,521	\$4,659
Change in accounting policy (Note 1) . . . . .	<u>(2,421)</u>	<u>(2,055)</u>
As restated . . . . .	8,100	2,604
Net earnings . . . . .	<u>20,877</u>	<u>5,496</u>
<b>BALANCE, AT END OF YEAR</b> . . . . .	<u>\$28,977</u>	<u>\$8,100</u>



**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

(Thousands of Canadian Dollars)

	<b>For the years ended December 31</b>	
	<b><u>1979</u></b>	<b><u>1978</u></b>
<b>FUNDS WERE OBTAINED FROM</b>		
Operations . . . . .	\$27,286	\$15,579
Sale of assets . . . . .	13,493	276
Long term borrowings . . . . .	10,000	—
Deferred production revenue . . . . .	418	378
Repayment of advances . . . . .	—	1,008
Issuance of capital stock . . . . .	—	1,014
Other . . . . .	—	298
	<u>51,197</u>	<u>18,553</u>
<b>FUNDS WERE USED FOR</b>		
Property, plant and equipment . . . . .	38,051	20,898
Reduction in long term debt . . . . .	6,832	2,877
Acquisition of minority interest . . . . .	484	—
Other . . . . .	37	—
	<u>45,404</u>	<u>23,775</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL . . . . .</b>	<b>5,793</b>	<b>(5,222)</b>
<b>WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR . . . . .</b>	<b>9,934</b>	<b>4,712</b>
<b>WORKING CAPITAL DEFICIENCY AT END OF YEAR . . . . .</b>	<b><u>\$ 4,141</u></b>	<b><u>\$ 9,934</u></b>
<b>CHANGES IN COMPONENTS OF WORKING CAPITAL</b>		
<b>INCREASE (DECREASE) IN CURRENT ASSETS:</b>		
Cash and short term deposits . . . . .	\$ (1,251)	\$ 485
Accounts receivable . . . . .	6,993	581
Income taxes recoverable . . . . .	(82)	1,488
Inventories . . . . .	1,479	1,113
	<u>7,139</u>	<u>3,667</u>
<b>INCREASE (DECREASE) IN CURRENT LIABILITIES:</b>		
Bank indebtedness . . . . .	(3,379)	3,002
Accounts payable and accrued charges . . . . .	4,385	5,336
Income taxes payable . . . . .	—	(232)
Due to parent company, Home Oil Company Limited . . . . .	79	289
Current maturities on long term debt . . . . .	261	494
	<u>1,346</u>	<u>8,889</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL . . . . .</b>	<b><u>\$ 5,793</u></b>	<b><u>\$ (5,222)</u></b>

**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1979 and 1978**

(Thousands of Canadian Dollars)


**ASSETS**

	<u>1979</u>	<u>1978</u>
		(Note 1)
<b>CURRENT ASSETS</b>		
Cash and short term deposits . . . . .	\$ 512	\$ 1,763
Accounts receivable . . . . .	12,727	5,734
Income taxes recoverable . . . . .	1,406	1,488
Inventories, at lower of cost and realizable value . . . . .	3,040	1,561
	<u>17,685</u>	<u>10,546</u>
INVESTMENTS IN 50% OWNED COMPANY . . . . .	<u>1,011</u>	<u>1,076</u>
<b>PROPERTY, PLANT AND EQUIPMENT,</b> at cost (Note 2) . . . . .	169,585	144,012
Accumulated depletion and depreciation . . . . .	61,527	59,047
	<u>108,058</u>	<u>84,965</u>
<b>OTHER ASSETS</b> . . . . .	770	685

Approved on behalf of the Board:



Director



Director

<u>\$127,524</u>	<u>\$ 97,272</u>
------------------	------------------



---

## LIABILITIES

	<u>1979</u>	<u>1978</u>
		(Note 1)
CURRENT LIABILITIES		
Bank indebtedness (Note 3) . . . . .	\$ 3,445	\$ 6,824
Accounts payable and accrued charges . . . . .	15,454	11,069
Due to parent company, Home Oil Company Limited . . . . .	368	289
Current maturities on long term debt . . . . .	<u>2,559</u>	<u>2,298</u>
	21,826	20,480
DEFERRED PRODUCTION REVENUE . . . . .	<u>796</u>	<u>378</u>
LONG TERM DEBT (Note 4) . . . . .	<u>19,054</u>	<u>15,780</u>
DEFERRED INCOME TAXES . . . . .	<u>22,714</u>	<u>17,936</u>
MINORITY INTEREST . . . . .	<u>1,449</u>	<u>1,890</u>
SHAREHOLDERS' EQUITY (Note 6)		
CAPITAL STOCK		
Authorized		
7,500,000 shares, par value \$3.50 each		
Issued		
2,678,356 shares . . . . .	9,374	9,374
CONTRIBUTED SURPLUS . . . . .	23,334	23,334
RETAINED EARNINGS . . . . .	<u>28,977</u>	<u>8,100</u>
	61,685	40,808
	<u>\$127,524</u>	<u>\$ 97,272</u>

**NOTES TO 1979 AND 1978 CONSOLIDATED FINANCIAL STATEMENTS**  
**(Tabular amounts shown in thousands of Canadian dollars)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**PRINCIPLES OF CONSOLIDATION**

- (a) The consolidated financial statements include the accounts of all companies in which the Company has ownership of more than 50% of the voting capital stock.
- (b) The Company follows the equity method of accounting for its investment in a 50% owned company. Under this method the Company's investment is carried on the balance sheet at cost plus its share of undistributed earnings or losses.
- (c) The excess of the cost of shares in subsidiaries and a company accounted for by the equity method over the underlying book value at dates of acquisition has been allocated to property, plant and equipment and is subject to the accounting policies outlined below.

**OIL AND GAS OPERATIONS**

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas and related reserves are capitalized and charged against earnings as set out below. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. The costs are accumulated in cost centres as follows:

- (a) North America — Canada and the United States.
- (b) Northwestern Europe — the United Kingdom and the Northwestern European Continental Shelf which encompasses all sectors of the North Sea, the Celtic Sea and the English Channel.

Costs accumulated in the North America cost centre are depleted using the unit of production method based upon estimated proven developed reserves, as determined by Company engineers. Natural gas reserves and production are converted to equivalent cubic meters of crude oil based on the relative energy content.

Expenditures in Northwestern Europe were amortized on a straight-line basis to date of disposition in 1979.

Substantially all of the exploration and production activities of the Company are conducted jointly with others and accordingly these financial statements reflect only the Company's proportionate interest in such activities.

**MINING OPERATIONS**

Mining costs are charged to earnings in the year of expenditure (included in depletion) until such time as the presence of economically recoverable reserves is established. Subsequent expenditures are capitalized and charged to earnings as set out below. Economically recoverable reserves are defined by Company engineers as reserves which are capable or have a reasonable prospect of sustaining commercial production. Proceeds on partial disposition of non-producing properties are deducted from the related costs without recognition of gain or loss.

Costs are accumulated by producing area and are depleted using the unit of production method based upon estimated recoverable reserves as determined by Company engineers.

**DEPRECIATION**

Depreciation of plant and equipment, other than mining equipment, has been provided in the accounts of the Company on a straight-line basis at rates which are estimated to amortize the costs of the assets less salvage value over their useful lives. Mining equipment is depreciated using the unit of production method based upon estimated recoverable ore reserves.

**FOREIGN CURRENCY TRANSLATION**

Current assets and current liabilities are translated to Canadian dollars using the exchange rate at the date of the balance sheet. Other assets and liabilities are translated at the rate in effect at the time the original transactions took place. Revenue and expense items (excluding depletion and depreciation which are translated at the rate of exchange applicable to the related asset) are translated using average rates of exchange throughout the year. Foreign currency gains and losses are included in the determination of net earnings.



**Note 1 Change in Accounting Policy**

Prior to 1979 mining expenditures were accumulated by area. Costs applicable to each producing area were depleted using the unit of production method based upon estimated recoverable reserves and costs applicable to other areas were written off when there was little prospect of further work being carried out by the Company or its partners.

Effective January 1, 1979 the Company retroactively changed to the accounting policy described under "Summary of significant accounting policies". This change in accounting reduced net earnings for the year ended December 31, 1979 and 1978 by \$178,000 (\$0.07 per share) and \$366,000 (\$0.14 per share) respectively. The cumulative effect of this change in accounting to January 1, 1978 of \$2,055,000 has been charged to retained earnings at that date.

**Note 2 Property, Plant and Equipment**

	1979		
	<u>Cost</u>	<u>Accumulated Depletion and Depreciation</u>	<u>Net</u>
Petroleum and natural gas leases and rights, including exploration, development and equipment			
— North America . . . . .	\$134,615	\$48,088	\$ 86,527
— Production equipment . . . . .	20,950	7,977	12,973
Mining properties and equipment			
— Producing . . . . .	6,447	1,128	5,319
— Non-producing . . . . .	3,397	3,383	14
— Equipment . . . . .	2,878	530	2,348
Land, buildings and other equipment . . . . .	1,298	421	877
	<u>\$169,585</u>	<u>\$61,527</u>	<u>\$108,058</u>

	1978 (Note 1)		
	<u>Cost</u>	<u>Accumulated Depletion and Depreciation</u>	<u>Net</u>
Petroleum and natural gas leases and rights, including exploration, development and equipment			
— North America . . . . .	\$106,306	\$44,020	\$62,286
— Northwestern Europe . . . . .	7,851	2,686	5,165
— Production equipment . . . . .	15,642	7,357	8,285
Mining properties and equipment			
— Producing . . . . .	5,338	660	4,678
— Non-producing . . . . .	4,963	3,711	1,252
— Equipment . . . . .	2,742	303	2,439
Land, buildings and other equipment . . . . .	1,170	310	860
	<u>\$144,012</u>	<u>\$59,047</u>	<u>\$84,965</u>

**Note 3 Bank Indebtedness**

Bank indebtedness in 1978 was secured by accounts receivable and certain interests in petroleum and natural gas leases.

**Note 4 Long Term Debt**

	<u>Maturity</u>	<u>1979</u>	<u>1978</u>
7.25% Subordinated debentures* . . . . .	1988	\$11,850	\$12,935
Bank production loan . . . . .	1984	9,464	—
Bank production loan (\$3,950,000 U.S.) . . . . .		—	4,437
Non-interest bearing advances under exploration agreement . . . . .		—	381
Non-interest bearing agreement (1979 - \$274,000 U.S.; 1978 - \$299,000 U.S.) . . . . .	1990	270	295
Other . . . . .		29	30
		<u>21,613</u>	<u>18,078</u>
Less: Current minimum maturities . . . . .		<u>2,559</u>	<u>2,298</u>
		<u>\$19,054</u>	<u>\$15,780</u>

\* Subject to annual sinking fund requirements of \$1,067,000 on November 1 of each year until 1987. Debentures repurchased by the Company may be applied against its sinking fund obligations. Debentures repurchased to December 31, 1979 satisfied the November 1, 1979 instalment and a balance of \$681,000 remains to be applied against future sinking fund payments.

The bank production loan is secured by accounts receivable and certain petroleum and natural gas leases. The estimated amount of long term debt maturities and sinking fund requirements for the five years subsequent to 1979 are as follows: 1980 - \$2,559,000; 1981 - \$3,235,000; 1982 - \$3,235,000; 1983 - \$3,235,000; 1984 - \$1,979,000.

**Note 5 Income Taxes**

Income tax expense differs from the amounts which would be obtained by applying the Canadian federal income tax rate to the respective years' pretax earnings before gain on sale of North Sea properties and before extraordinary item. These differences result from the following items:

	<u>1979</u>		<u>1978 (Note 1)</u>	
	<u>Amount</u>	<u>Percentage of Pretax Income</u>	<u>Amount</u>	<u>Percentage of Pretax Income</u>
Computed "expected" tax expense . . . . .	\$9,027	46.0%	\$4,024	46.0%
Royalties and other payments to provincial governments . . . . .	5,836	29.8	4,251	48.6
Other non-deductible costs . . . . .	302	1.5	1,584	18.1
Equity income . . . . .	(16)	(0.1)	(33)	(0.4)
Depletion allowances on Canadian oil and gas production income . . . . .	(2,250)	(11.5)	(1,438)	(16.4)
Federal resource allowance . . . . .	(4,539)	(23.1)	(3,278)	(37.5)
Provincial income taxes less federal tax abatements . . . . .	252	1.3	420	4.8
Refund of taxes under incentive plans . . . . .	(2,247)	(11.5)	(1,531)	(17.5)
Actual tax expense — current and deferred . . . . .	<u>\$6,365</u>	<u>32.4%</u>	<u>\$3,999</u>	<u>45.7%</u>



**Note 6 Shareholders' Equity**

During 1978 the Company issued 30,435 common shares on conversion of 7.25% debentures. As a result, \$106,000 was credited to capital stock and \$908,000 to contributed surplus.

There are restrictions on the payment of dividends under the Trust Indenture securing the 7.25% subordinated debentures. Under the most restrictive provision, the amount permitted thereunder for payment of dividends was in excess of the retained earnings at December 31, 1979.

**Note 7 Business Segments**

The Company's operations are conducted through two business segments, petroleum and natural gas and mining. Presented below are segmented data relative to these activities.

	<u>1979</u>		<u>1978 (Note 1)</u>	
	<u>Operating Revenue</u>	<u>Segment Earnings</u>	<u>Operating Revenue</u>	<u>Segment Earnings (Loss)</u>
Petroleum and natural gas . . . . .	\$33,156	\$ 19,990	\$25,008	\$13,332
Mining . . . . .	10,866	1,728	4,128	(2,626)
	<u>\$44,022</u>	<u>21,718</u>	<u>\$29,136</u>	<u>10,706</u>
Equity income . . . . .		35		71
Other income . . . . .		244		357
Interest expense . . . . .		(2,247)		(2,317)
Minority interest expense . . . . .		(127)		(69)
Income taxes . . . . .		(6,365)		(3,999)
Earnings before gain on sale of North Sea properties . . . . .		<u>\$ 13,258</u>		<u>\$ 4,749</u>
Identifiable assets				
Petroleum and natural gas . . . . .		\$109,931		\$82,363
Mining . . . . .		14,329		10,218
Corporate assets . . . . .		2,253		3,615
Investment in 50% owned company . . . . .		1,011		1,076
		<u>\$127,524</u>		<u>\$97,272</u>
Capital expenditures				
Petroleum and natural gas . . . . .		\$ 35,523		\$19,649
Mining . . . . .		2,528		1,249
		<u>\$ 38,051</u>		<u>\$20,898</u>
Depletion and depreciation				
Petroleum and natural gas . . . . .		\$ 5,536		\$ 5,202
Mining . . . . .		1,814		1,314
		<u>\$ 7,350</u>		<u>\$ 6,516</u>

**Note 8 Remuneration of Directors and Officers**

Remuneration paid to directors and senior officers in their respective capacities was \$43,000 and \$280,000 (1978 - \$43,000 and \$208,000).

# FIVE YEAR REVIEW OF OPERATIONS

	Years ended December 31			Years ended September 30		
	1979	1978	1977	1976	1975	
<b>CONSOLIDATED STATEMENT OF EARNINGS</b>						
Revenue						
Crude Oil	\$22,590,000	\$17,337,000	\$13,851,000	\$10,341,000	\$ 9,459,000	
Natural gas and related products	10,566,000	7,671,000	7,520,000	5,428,000	3,611,000	
Mining	10,866,000	4,128,000	1,092,000	57,000	—	
Equity income (loss)	35,000	71,000	(2,950,000)	—	(8,000)	
Other income	244,000	357,000	207,000	1,783,000	2,284,000	
	<u>44,301,000</u>	<u>29,564,000</u>	<u>19,720,000</u>	<u>17,609,000</u>	<u>15,346,000</u>	
Expenses						
Operating and general	15,081,000	11,983,000	6,980,000	4,548,000	3,582,000	
Depletion and depreciation	7,350,000	6,516,000	6,651,000	4,876,000	3,923,000	
Interest	2,247,000	2,317,000	1,172,000	1,227,000	1,373,000	
Other charges	—	—	—	—	400,000	
	<u>24,678,000</u>	<u>20,816,000</u>	<u>14,803,000</u>	<u>10,651,000</u>	<u>9,278,000</u>	
	<u>19,623,000</u>	<u>8,748,000</u>	<u>4,917,000</u>	<u>6,958,000</u>	<u>6,068,000</u>	
Income Taxes						
Current	(72,000)	(153,000)	1,269,000	2,598,000	1,885,000	
Deferred	6,437,000	4,152,000	2,043,000	(23,000)	1,339,000	
	<u>6,365,000</u>	<u>3,999,000</u>	<u>3,312,000</u>	<u>2,575,000</u>	<u>3,224,000</u>	
Earnings before gain on sale of North Sea properties	13,258,000	4,749,000	1,605,000	4,383,000	2,844,000	
Gain on sale of North Sea properties (net of applicable income taxes of \$803,000)	5,157,000	—	—	—	—	
Net earnings before extraordinary items	18,415,000	4,749,000	1,605,000	4,383,000	2,844,000	
Extraordinary items	2,462,000	747,000	(6,205,000)	—	—	
Net earnings (loss)	<u>\$20,877,000</u>	<u>\$ 5,496,000</u>	<u>\$ (4,600,000)</u>	<u>\$ 4,383,000</u>	<u>\$ 2,844,000</u>	
Earnings per share						
Earnings before gain on sale of North Sea properties	\$ 4.95	\$ 1.78	\$ 0.60	\$ 1.66	\$ 1.07	
Gain on sale of North Sea properties	1.93	—	—	—	—	
Net earnings before extraordinary items	6.88	1.78	0.60	1.66	1.07	
Extraordinary items	0.92	0.28	(2.34)	—	—	
Net earnings (loss)	<u>\$ 7.80</u>	<u>\$ 2.06</u>	<u>\$ (1.74)</u>	<u>\$ 1.66</u>	<u>\$ 1.07</u>	
<b>CONSOLIDATED BALANCE SHEET</b>						
Working capital (deficiency)	\$ (4,141,000)	\$ (9,934,000)	\$ (4,712,000)	\$ 7,953,000	\$ 8,299,000	
Investments and advances	1,011,000	1,076,000	1,366,000	1,754,000	5,926,000	
Capital assets — net	108,058,000	84,965,000	70,859,000	56,229,000	48,713,000	
Other assets	770,000	685,000	929,000	599,000	501,000	
Deferred production revenue	796,000	378,000	—	—	—	
Long term debt — net	19,054,000	15,780,000	18,539,000	16,058,000	17,321,000	
Deferred income taxes	22,714,000	17,936,000	13,784,000	10,951,000	10,973,000	
Minority interest	1,449,000	1,890,000	1,821,000	1,736,000	1,738,000	
Shareholders' equity	61,685,000	40,808,000	34,298,000	37,790,000	33,407,000	



	Years ended December 31			Years ended September 30		
	1979	1978	1977	1976	1975	
<b>CAPITAL EXPENDITURES</b>						
Acquisition of property .....	\$ 5,685,000	\$ 1,687,000	\$ 2,539,000	\$ 2,114,000	\$ 782,000	
Exploration and development expenditures .....	27,761,000	16,462,000	11,486,000	9,821,000	4,127,000	
Production equipment .....	4,474,000	2,545,000	2,545,000	534,000	232,000	
Other capital assets .....	131,000	204,000	441,000	97,000	58,000	
Total capital expenditures .....	<u>\$38,051,000</u>	<u>\$20,898,000</u>	<u>\$17,011,000</u>	<u>\$12,566,000</u>	<u>\$ 5,199,000</u>	
<b>LANDHOLDINGS</b>						
Petroleum and natural gas						
Gross acreage .....	5,578,000	6,853,000	8,058,000	8,793,000	9,460,000	
Net acreage .....	1,645,000	2,000,000	2,633,000	2,543,000	2,576,000	
Mining						
Gross acreage .....	597,000	767,000	283,000	286,000	254,000	
Net acreage .....	259,000	418,000	259,000	252,000	220,000	
<b>DRILLING ACTIVITY</b>						
Gross wells drilled .....	162	169	108	52	38	
Net oil and gas wells — working interest .....	25	20	11	5	3	
— royalty interest .....	1	12	7	1	4	
<b>PRODUCTION</b>						
Crude oil and natural gas liquids						
— cubic metres per day .....	1 238	1 055	1 040	991	1 153	
Natural gas — thousand cubic metres per day .....	530	433	470	474	406	
<b>SHARES</b>						
Shares outstanding						
end of year .....	2,678,356	2,678,356	2,647,921	2,647,921	2,647,921	
average for the year .....	2,678,356	2,668,211	2,647,921	2,647,921	2,647,921	

The above data incorporates retroactive adjustments

